USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 4/22/2013
GAIN Report Number:

Pakistan

Sugar Annual

Pakistan Sugar Annual

Approved By:
Orestes H. Vasquez

Prepared By:
M. Shafiq Ur Rehman

Report Highlights:
Pakistan's marketing year (MY) 2013/14 (October-September) sugar production is forecast to decrease
by 3 percent to 4.54 million tons from MY 2012/13 estimated production of 4.67 million tons. MY
2013/14 sugar consumption is forecast at 4.5 million tons and imports at 450,000 tons. Due to
Government intervention, MY 2012/13 sugar exports are revised up to one million tons from the
previous estimate of 300,000 tons. In MY 2012/13, increased exports are likely to erode ending stocks
to 610,000 tons, down 55 percent from MY 2011/12's ending stocks of 1.34 million tons. MY 2013/14
ending stocks are expected to increase and are forecast at 900,000 tons.

Executive Summary:
Sugarcane is an important industrial and cash crop in Pakistan. Last year's excessive rains and subsequent floods affected cotton, maize and rice crops; however, the rains were key to impel a record sugarcane harvest. Consequently, Post's estimate of Pakistan's MY 2012/13 sugar production is increased by 550,000 tons to 4.67 million tons. Estimates are based on an 82 percent crushing rate and 9.3 percent sugar recovery. Pakistan's MY 2013/14 total sugar production is forecast at 4.5 million tons, down three percent over the current year's estimate. Sugar consumption in MY 2013/14 is forecast at 4.5 million tons, slightly up over the previous year .Sugar exports in MY 2012/13 are revised up to one million tons from the previous estimates of 300,000 tons, due to government intervention. Increased exports are likely to erode the ending stocks to 610,000 tons, the lowest level in the last three years. In MY 2013/14 sugar imports are forecast at 450,000 tons, due to lower ending stocks as these are 55 percent lower from MY2011/12. MY 2013/14 ending stocks are expected to build up and are forecast at 900,000 tons.

Commodities:
Sugar Cane for Centrifugal

Production:
Pakistan is the world's sixth largest producer of sugarcane in terms of acreage, and the 12th largest producer of sugar. In Pakistan, sugarcane is grown on approximately one million hectares and provides the raw material for 84 sugar mills. The sugar industry is the country's second largest agro-industry after textiles. In addition to sugar, sugarcane is employed in the production of pharmaceutical ethanol, fuel ethanol, bagasse for paper and chip board manufacturing, and press mud used as a rich source of organic fertilizer for crop production.

In MY 2012/13, Pakistan's sugarcane production is estimated at 61 million tons, up 4 percent over last year's harvest of 58.6 million tons. The MY 2012/13 sugarcane crop benefitted from the excessive rains that hit the country especially in southern Punjab Province and Sindh Province.

In Pakistan, sugarcane's production cycle lasts between 2-3 years. After three successive years of increases in sugar production (MY 2010/11 to MY 2012/13), production is likely to decrease in the ensuing year mainly due to significant acreage of ratoon crop (older crop). MY 2013/14 sugarcane production is forecast at 59 million tons, a reduction of over 3 percent over the current year. MY 2013/14 sugarcane acreage is expected to decrease slightly to 995,000 hectares, due to mills late payments to cane growers.

Table 1: Sugarcane Area and Production by Province

Province	Area ('000' Hectares)	Production ('000' Tons)

	MY 2011/12	MY 2012/13	MY 2013/14	MY 2011/12	MY 2012/13	My 2013/14
Punjab	690	680	679	40,400	41,950	40,700
Sindh	229	240	235	13,740	14,400	13,660
NWFP	90	80	80	4,500	4,800	4,600
Baluchistan	1	1	1	40	50	40
Total	1,010	1,001	995	58,640	61,000	59,000

Sources: Provincial Agriculture Departments and FAS/Islamabad

Production Policy

The provincial governments set procurement prices of sugarcane in consultation with representatives of both the sugar industry and farmers' organizations, based on recommendations from Agricultural Policy Institute (API) and their departments of agriculture, food, and industry. During the MY 2012/13 crushing season, the provincial governments of Punjab and Khyber Pakhtunkhawah (KPK) announced a minimum support price (MSP) of Rs. 170 per 40 Kg ($43/ ton), whereas, Sindh announced a price of Rs. 172 per 40 Kg ($44/ton), a 13 percent increase from last year's price due to increase in inputs due to a depreciating rupee. According to trade sources, this year's low sugar prices and the expectation of a large sugarcane crop resulted in mills offering lower cane prices to farmers than the announced MSP as compared to last year. Generally, at the start of crushing season lower cane prices are acceptable to the farmers to opt for sowing wheat after harvesting sugarcane.

The provincial governments support research, development, training of farmers and transfer of new technologies to growers in its endeavor to raise cane yields and sugar recovery rates. Agricultural universities and a few sugar mills also support research and development (R&D) activities.

Table 2: Sugarcane Procurement Prices by Province

(Rs. per 40 kg)

YEAR	PUNJAB	SINDH	NWFP	BALUCHISTAN
2002-03	40.00	43.00	42.00	43.00
2003-04	40.00	41.00	42.00	43.00
2004-05	40.00	43.00	42.00	43.00
2005-06	45.00	58.00	48.00	-
2006-07	60.00	67.00	48.00	-
2007-08	60.00	67.00	65.00	-
2008-09	80.00	81.00	65.00	-
2009-10	100	100	100	-
2010-11	125	127	125	-
2011-12	150	152	150	-
2012-13	170	172	170	-

Source: Provincial Agriculture Departments

Commodities:

Sugar, Centrifugal

Production:

MY 2013/14 refined sugar production is forecast at 4.54 million tons, three percent lower than the current year's estimate due to a reduction in acreage. Post's estimate of MY 2012/13 sugar production is revised upward by 550,000 tons to 4.67 million tons based on a record harvest following excessive rains/ flooding in 2012. Current year's estimates are based on an 82 percent crushing rate and 9.3 percent sugar recovery rate.

Consumption:

Burgeoning population requirements and strong demand from bulk consumers in Pakistan will push up domestic sugar consumption in MY 2013/14 to 4.5 million tons, up 2 percent over MY 2012/13 estimated demand of 4.4 million tons. .

Table 3: Monthly Average Retail Prices of Sugar

(Rs. per kg)

YEAR/MONTH	2008	2009	2010	2011	2012	2013
JANUARY	26.06	39.38	66.44	72.57	52.39	52.47
FEBRUARY	25.73	42.63	68.55	67.02	50.31	52.58
MARCH	25.44	43.83	64.87	66.95	54.89	52.71
APRIL	25.18	44.96	62.14	67.14	55.56	
MAY	28.45	45.45	61.28	65.77	54.39	
JUNE	29.75	45.65	63.27	69.19	54.82	
JULY	31.68	46.96	66.68	70.74	54.25	
AUGUST	32.70	52.16	72.26	74.65	53.93	
SEPTEMBER	33.44	48.97	80.43	76.03	52.76	
OCTOBER	37.61	45.75	81.91	72.01	53.28	
NOVEMBER	37.72	45.75	87.98	67.25	54.07	
DECEMBER	35.59	58.50	73.78	55.52	53.04	
AVERAGE	30.80 $0.38 USD1=Rs.80	46.66 $0.57 USD1=Rs.82	70.80 $0.82 USD1=Rs.86	68.74 $0.78 USD1=Rs.88	53.64 $0.55 USD1=Rs.98	52.58 $0.54 USD1=Rs.99

Source: Federal Bureau of Statistics (FBS), Government of Pakistan

Price data shows that year- to- date, sugar prices have remained stable in the domestic market. However, in March 2013, the Economic Coordination Committee (ECC), the Cabinet's committee responsible for economic decisions,   issued a decree in which it would allow sugar exports up to1.2 million tons,

which, if attained, would result in tight stocks that could lead to escalating domestic prices in the latter part of the year.

Trade:

MY 2013/14 sugar imports are forecast at 450,000 tons, due to tightening stocks as a result of estimated record exports of one million tons in MY 2012/13. In MY2012/14, improved carryover stocks and a record MY 2012/13 production of 4.67 million tons resulted in an overall supply of over 6 million tons.

The record supply compounded with low prices and an increase in the support price of sugarcane, prompted the Pakistan Sugar Mills Association (PSMA) to allege "financial duress" as domestic and international prices of$530/ton were much lower than   production costs of $642/ton. To address the industry's concern, the GOP approved an inland freight subsidy, lowered a federal excise duty on sugar, and allowed for the export of up to 1.2 million tons of raw sugar. Nonetheless, Post expects that exports will be one million tons, most of it going to export markets in the Gulf Region and Africa.

For more information on the GOP' s decision please look at GAIN Report:
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Sugar%20Update_Islamabad_Pakistan_3-18-2013.pdf

Stocks:

Sugar stocks at the end of MY 2012/13 are estimated at 650,000 tons, the lowest in the last three years and 55 percent lower than MY 2011/12. Ending stocks in MY 2013/14 are forecast at 900,000 tons based on projected supply-demand scenarios and trade expectations.

Table 5: Production, Supply and Demand Data Statistics:

(Figures in '000' MT)

Sugar, Centrifugal Pakistan	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	1,470	1,470	1,340	1,340		610
Beet Sugar Production	20	20	20	20		40
Cane Sugar Production	4,500	4,500	4,650	4,650		4,500
Total Sugar Production	4,520	4,520	4,670	4,670		4,540
Raw Imports	0	0	0	0		0
Refined Imp.(Raw Val)	0	0	0	0		450
Total Imports	0	0	0	0		450
Total Supply	5,990	5,990	6,010	6,010		5,600
Raw Exports	0	0	0	0		0
Refined Exp.(Raw Val)	350	350	300	1,000		200
Total Exports	350	350	300	1,000		200
Human Dom. Consumption	4,300	4,300	4,400	4,400		4,500
Other Disappearance	0	0	0	0		0
Total Use	4,300	4,300	4,400	4,400		4,500
Ending Stocks	1,340	1,340	1,310	610		900
Total Distribution	5,990	5,990	6,010	6,010		5,600

| TS=TD | 0 | 0 | 0 | 0 | | 0 |